

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2018

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
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**KIM HAM**  
**CERTIFIED PUBLIC ACCOUNTANT**

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MEMBER,  
American Institute  
of CPA's

♦  
MEMBER,  
Kentucky Society  
of CPA's

**INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Mayfield Independent School District  
Mayfield, Kentucky

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits other than pensions (OPEB) information on pages 4 through 8 and 50 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayfield Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 13, 2018, on my consideration of the Mayfield Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mayfield Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mayfield Independent School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Ham". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky  
November 13, 2018

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

As management of the Mayfield Independent School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning general fund balance for the District was \$2,804,715 and the ending balance was \$3,849,954.
- The District had a combined fund balance for all governmental funds on July 1, 2016 of \$3.471 million. The balance increased to \$4.926 million by June 30, 2017 and decreased to \$4.497 million by June 30, 2018. The decrease was mainly due to bond proceeds received in FY 17 that were spent during FY 18. The net position of the proprietary fund decreased from \$891,000 at July 1, 2016 to \$851,000 by June 30, 2017, then decreased to \$619,000 by June 30, 2018. The decrease from FY 17 to FY 18 was mainly due to the allocation of OPEB expense, liability, and deferred outflows and inflows as the result of being required to apply GASB 75, as discussed more fully in the Notes to the Financial Statements.
- Mayfield High School transitioned to a 1:1 student to device environment using Lenovo 300E chromebooks. We also equipped each teacher at the middle and high school with a Chromebook for mobile use with Google Classroom and GoGuardian. The project cost was approximately \$173,000. We also upgraded all middle school and high school teacher workstations to Dell Optiplex 3060 desktops. The cost of this project was approximately \$43,500.00. All annual maintenance/subscription plans were continued including Extreme Networks, VMware, SchoolDude, SchoolCast, Microsoft ESS agreement, Adobe, BrainPop, etc. These subscriptions in total are approximately \$50,000 annually. Finally, we added/replaced several security cameras in the district for a cost of approximately \$10,000.00. It is our intent to move Mayfield Middle School to a 1:1 environment next year. We will also be replacing teacher workstations and providing classroom Chromebooks and/or iPad refreshes at MES next year based on grade level.
- The KETS technology match was made for \$33,435.
- The General Fund had \$16,928,657 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased \$1,922,000 from the prior year, primarily due to an increase in on behalf revenue from the state of approximately \$1,205,000 and an increase in SEEK revenue from the state of approximately \$616,000. There was \$16,133,855 in General Fund expenditures. Expenditures increased approximately \$2,089,000 over the prior year, mainly from the increase in on behalf amounts recorded of \$1,922,000.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 49 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,807,695 as of June 30, 2018. The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Liabilities are higher than in previous years due to the requirements of GASB 75, as more fully discussed in Note G.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

	<b>Net Position for the period ending</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Current Assets	\$ 6,152,205	\$ 7,388,163
Noncurrent Assets	<u>18,870,978</u>	<u>17,905,211</u>
<b>Total Assets</b>	<b><u>\$ 25,023,183</u></b>	<b><u>\$ 25,293,374</u></b>
Deferred Loss from Refunding Bonds	\$ 226,768	\$ 264,563
Deferred Outflows Related to Pensions	2,379,306	1,499,296
Deferred Outflows Related to OPEBs	<u>874,081</u>	<u>0</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 3,480,155</u></b>	<b><u>\$ 1,763,859</u></b>
Current Liabilities	\$ 1,474,003	\$ 2,296,317
Noncurrent Liabilities	<u>23,354,511</u>	<u>16,542,334</u>
<b>Total Liabilities</b>	<b><u>\$ 24,828,514</u></b>	<b><u>\$ 18,838,651</u></b>
Deferred Inflows Related to Pensions	\$ 686,179	\$ 0
Deferred Inflows Related to OPEBs	<u>180,950</u>	<u>0</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 867,129</u></b>	<b><u>\$ 0</u></b>
Net investment in capital assets	\$ 8,780,482	\$ 7,046,062
Restricted	928,774	2,705,007
Unrestricted	<u>(6,901,561)</u>	<u>(1,532,487)</u>
<b>Total Net Position</b>	<b><u>\$ 2,807,695</u></b>	<b><u>\$ 8,218,582</u></b>

**Comments on Budget Comparisons**

- There were no significant variations between the original and final budget amounts.
- The General Fund's total revenues for the fiscal year ended June 30, 2018 were \$16,928,657.
- General fund budget compared to actual revenue varied slightly from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$297,641 more than budget. The categories with the largest difference from budgeted amounts were taxes (\$153,789 more than budget), indirect federal funds (\$99,709 more than budget), and state funds (\$26,747 more than budget).
- The total cost of all General Fund programs and services was \$16,133,855.
- General fund budget exceeded actual expenditures for most line items with the total actual expenditures (excluding on behalf expenditures, which are not budgeted, and the contingency) being \$1,937,726 less than budgeted. The categories with the largest difference from budgeted amounts were for district administration (\$1,469,984 less than budget), instruction (\$290,234 less than budget), business support services (\$79,948 less than budget), school administration support services (\$49,404 less than budget), plant operations and maintenance (\$34,532 more than budgeted), student transportation (\$33,500 less than budget), instructional staff support services (\$31,392 less than budgeted), and student support services (\$17,796 less than budget).
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district recorded in the general fund were \$4,464,121.

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2018 as compared to the fiscal year ended June 30, 2017.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

	June 30, 2018	June 30, 2017
<b>Program Revenues:</b>		
Charges for services – food services	\$ 66,129	\$ 75,624
Charges for services – governmental	119,702	146,404
Operating grants – food services	1,472,887	1,396,037
Operating grants – governmental	7,590,390	6,029,707
Capital grants – governmental	<u>1,124,875</u>	<u>1,120,957</u>
<b>Total Program Revenues</b>	<b><u>10,373,983</u></b>	<b><u>8,768,729</u></b>
<b>General Revenues:</b>		
Taxes	3,446,415	3,364,479
Earnings on investments	89,117	32,234
State and formula grants	8,893,045	8,277,175
Miscellaneous	0	209
Gain (loss) on disposal of fixed assets	<u>2,209</u>	<u>0</u>
<b>Total General Revenues</b>	<b><u>12,430,786</u></b>	<b><u>11,674,097</u></b>
<b>Total Revenues</b>	<b><u>22,804,769</u></b>	<b><u>20,442,826</u></b>
<b>Expenses:</b>		
Instruction	13,093,832	11,394,404
Student support services	736,080	703,718
Instructional support	1,090,505	863,006
District administration	540,495	275,975
School administration	1,018,688	961,586
Business support	368,579	356,468
Plant operations	2,642,926	2,189,732
Student transportation	923,134	745,305
Community services	232,073	211,999
Other non-instructional	10,150	9,001
Interest on long term debt	251,898	230,981
Food service operation	1,545,323	1,489,571
Other Debt service	<u>7,751</u>	<u>60,029</u>
<b>Total Expenses</b>	<b><u>22,461,434</u></b>	<b><u>19,491,775</u></b>
<b>Change in Net Position</b>	<b>343,335</b>	<b>951,051</b>
<b>Beginning Net Position</b>	<b>8,218,582</b>	<b>7,267,531</b>
<b>Prior period adjustment</b>	<b><u>(5,754,222)</u></b>	<b><u>0</u></b>
<b>Ending Net Position</b>	<b><u>\$ 2,807,695</u></b>	<b><u>\$ 8,218,582</u></b>

**General Fund Revenue**

The majority of revenue was derived from state funding (\$13,409,022) making up 79.2% of total revenue and \$3,036,789 from local taxes (17.9%).

**General Fund Expenditures**

The largest category of expenditures was for instruction (60.8%), followed by plant operations and maintenance (11.5%), school administration support services (6.0%), student transportation (5.9%), instructional staff support services (5.8%), student support services (4.3%), district administration support services (3.7%), and business support services (2.0%).

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2018, the District had \$18,870,978 invested in land, buildings, and equipment. Of that amount, \$18,533,750 is in governmental activities. There was a major increase in net capital assets during the fiscal year because of a construction project at the middle school. Total additions to capital assets were \$1,715,784 in governmental activities, while depreciation expense was \$820,378 in governmental activities, causing the net amount of noncurrent assets to increase by \$895,406.

See Note E for a breakdown of additions by class on page 29.

**Debt Administration**

The District had \$10,373,956 in bonds and capital leases payable outstanding on June 30, 2018. A total of \$818,371 is due within one year. Bond principal payments during the year were \$799,000, while KISTA principal payments were \$15,199.

See Note F on pages 30-31 for a detailed list of bonds payable.

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1,390,716 in contingency (9.3%). The beginning general fund balance for beginning the fiscal year was \$2,804,715.

Mayfield Independent Public Schools received federal grants in the amount of \$1,876,165 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of \$886,150 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Joe Henderson or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 4,365,769	\$ 1,072,718	\$ 5,438,487
Accounts receivable:			
Taxes - current	107,387	0	107,387
Taxes - delinquent	1,673	0	1,673
Accounts receivable	157,612	1,541	159,153
Due from school activity funds	1,040	0	1,040
Interest receivable	14	0	14
Intergovernmental - state	1,157	0	1,157
Intergovernmental - indirect federal	326,357	26,292	352,649
Inventory	0	58,555	58,555
Prepaid expenses	32,090	0	32,090
<b>Total current assets</b>	<b>4,993,099</b>	<b>1,159,106</b>	<b>6,152,205</b>
<b>Noncurrent Assets:</b>			
Capital assets	32,706,847	924,829	33,631,676
Less: Accumulated depreciation	(14,173,097)	(587,601)	(14,760,698)
<b>Total noncurrent assets</b>	<b>18,533,750</b>	<b>337,228</b>	<b>18,870,978</b>
<b>TOTAL ASSETS</b>	<b>\$ 23,526,849</b>	<b>\$ 1,496,334</b>	<b>\$ 25,023,183</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss from refunding bonds	\$ 454,162	\$ 0	\$ 454,162
Less: Accumulated amortization	(227,394)	0	(227,394)
Deferred pension related outflows	2,122,438	256,868	2,379,306
Deferred OPEB related outflows	802,139	71,942	874,081
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,151,345</b>	<b>\$ 328,810</b>	<b>\$ 3,480,155</b>
<b>LIABILITIES :</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 106,816	\$ 93,930	\$ 200,746
Advances from grantors	372,736	0	372,736
Current portion of bond obligations	804,000	0	804,000
Less: Current portion of unamortized bond discount	(7,751)	0	(7,751)
Current portion of KISTA notes payable	14,371	0	14,371
Current portion of KSBIT payable	29,174	0	29,174
Current portion of accrued sick leave	16,154	1,001	17,155
Interest payable	43,572	0	43,572
<b>Total current liabilities</b>	<b>1,379,072</b>	<b>94,931</b>	<b>1,474,003</b>
<b>Noncurrent Liabilities:</b>			
Noncurrent portion of bond obligations	9,548,000	0	9,548,000
Less: Noncurrent portion of unamortized bond discount	(48,941)	0	(48,941)
Noncurrent portion of KISTA notes payable	7,585	0	7,585
Noncurrent portion of KSBIT payable	58,346	0	58,346
Noncurrent portion of accrued sick leave	130,701	8,099	138,800
Net pension liability	6,247,961	756,165	7,004,126
Net OPEB liability	6,386,887	259,708	6,646,595
<b>Total noncurrent liabilities</b>	<b>22,330,539</b>	<b>1,023,972</b>	<b>23,354,511</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 23,709,611</b>	<b>\$ 1,118,903</b>	<b>\$ 24,828,514</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred pension related inflows	\$ 612,099	\$ 74,080	\$ 686,179
Deferred OPEB related inflows	167,352	13,598	180,950
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 779,451</b>	<b>\$ 87,678</b>	<b>\$ 867,129</b>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 8,443,254	\$ 337,228	\$ 8,780,482
Restricted for:			
SFCC Escrow	297,786	0	297,786
Capital projects	111,731	0	111,731
Debt service	1,705	0	1,705
Food service	0	281,335	281,335
Other	236,217	0	236,217
Unrestricted	(6,901,561)	0	(6,901,561)
<b>TOTAL NET POSITION</b>	<b>\$ 2,189,132</b>	<b>\$ 618,563</b>	<b>\$ 2,807,695</b>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 13,093,832	\$ 119,702	\$ 5,840,001	\$ 1,124,875	\$ (6,009,254)	\$ 0	\$ (6,009,254)
Support Services:							
Student	736,080	0	226,147	0	(509,933)	0	(509,933)
Instructional Staff	1,090,505	0	229,312	0	(861,193)	0	(861,193)
District Administration	540,495	0	67,350	0	(473,145)	0	(473,145)
School Administration	1,018,688	0	288,050	0	(730,638)	0	(730,638)
Business	368,579	0	124,918	0	(243,661)	0	(243,661)
Plant operations and maintenance	2,642,926	0	368,813	0	(2,274,113)	0	(2,274,113)
Student transportation	923,134	0	216,270	0	(706,864)	0	(706,864)
Community service activities	232,073	0	199,386	0	(32,687)	0	(32,687)
Other non-instruction	10,150	0	10,150	0	0	0	0
Interest on long-term debt	251,898	0	19,993	0	(231,905)	0	(231,905)
Other debt service	7,751	0	0	0	(7,751)	0	(7,751)
<b>Total governmental activities</b>	<b>20,916,111</b>	<b>119,702</b>	<b>7,590,390</b>	<b>1,124,875</b>	<b>(12,081,144)</b>	<b>0</b>	<b>(12,081,144)</b>
<b>Business-Type Activities:</b>							
Food service	1,545,323	66,129	1,472,887	0	0	(6,307)	(6,307)
<b>Total business-type activities</b>	<b>1,545,323</b>	<b>66,129</b>	<b>1,472,887</b>	<b>0</b>	<b>0</b>	<b>(6,307)</b>	<b>(6,307)</b>
<b>Total primary government</b>	<b>\$ 22,461,434</b>	<b>\$ 185,831</b>	<b>\$ 9,063,277</b>	<b>\$ 1,124,875</b>	<b>(12,081,144)</b>	<b>(6,307)</b>	<b>(12,087,451)</b>
<b>General Revenues:</b>							
Taxes:							
Property					2,507,861	0	2,507,861
Motor Vehicle					287,251	0	287,251
Utilities					601,949	0	601,949
In Lieu of					49,354	0	49,354
Earnings on Investments					71,460	17,657	89,117
State and formula grants					8,893,045	0	8,893,045
Gain (loss) on disposal of fixed assets					2,209	0	2,209
Transfers					65,136	(65,136)	0
<b>Change in net position</b>					<b>397,121</b>	<b>(53,786)</b>	<b>343,335</b>
Net position at July 1, 2017					7,367,504	851,078	8,218,582
Prior period adjustment - Note O					(5,575,493)	(178,729)	(5,754,222)
Net position at June 30, 2018					<b>\$ 2,189,132</b>	<b>\$ 618,563</b>	<b>\$ 2,807,695</b>

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES:</b>				
Cash and cash equivalents	\$ 3,653,421	\$ 68,169	\$ 644,179	\$ 4,365,769
Accounts receivable:				
Taxes - current	107,387	0	0	107,387
Taxes - delinquent	1,673	0	0	1,673
Accounts receivable	157,299	313	0	157,612
Interest receivable	14	0	0	14
Intergovernmental - state	173	984	0	1,157
Intergovernmental - indirect federal	5,771	320,586	0	326,357
Due from school activity funds	1,040	0	0	1,040
Prepaid expenses	32,090	0	0	32,090
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 3,958,868</u>	<u>\$ 390,052</u>	<u>\$ 644,179</u>	<u>\$ 4,993,099</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 92,760	\$ 14,056	\$ 0	\$ 106,816
Advances from grantors	0	372,736	0	372,736
Current portion of accrued sick leave	16,154	0	0	16,154
<b>TOTAL LIABILITIES</b>	<u>108,914</u>	<u>386,792</u>	<u>0</u>	<u>495,706</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Prepays	32,090	0	0	32,090
Restricted:				
Construction	0	0	111,731	111,731
Debt service	0	0	1,705	1,705
SFCC escrow	0	0	297,786	297,786
District activity funds	0	3,260	0	3,260
Other	0	0	232,957	232,957
Committed:				
Site-based carryforward	75,388	0	0	75,388
Assigned:				
Purchase obligations	10,300	0	0	10,300
Unassigned	3,732,176	0	0	3,732,176
<b>TOTAL FUND BALANCES</b>	<u>3,849,954</u>	<u>3,260</u>	<u>644,179</u>	<u>4,497,393</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,958,868</u>	<u>\$ 390,052</u>	<u>\$ 644,179</u>	<u>\$ 4,993,099</u>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2018

Total fund balance per fund financial statements		\$4,497,393
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	\$ 32,706,847	
Accumulated depreciation	<u>(14,173,097)</u>	18,533,750
Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
Deferred loss from refunding bonds	226,768	
Deferred pension related outflows	2,122,438	
Deferred OPEB related outflows	<u>802,139</u>	3,151,345
Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Deferred pension related inflows	(612,099)	
Deferred OPEB related inflows	<u>(167,352)</u>	(779,451)
Certain liabilities are not reported in the fund financial statements because they are not due and payable, but they are presented in the statement of net position.		
Interest payable		(43,572)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(10,295,308)	
KISTA notes payable	(21,956)	
KSBIT payable	(87,520)	
Net pension liability	(6,247,961)	
Net OPEB liability	(6,386,887)	
Accrued sick leave payable	<u>(130,701)</u>	<u>(23,170,333)</u>
Net position for governmental activities		<u><u>\$ 2,189,132</u></u>

See independent auditor's report and accompanying notes to financial statements



MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
From Local Sources:				
Taxes:				
Property	\$ 2,143,893	\$ 0	\$ 363,968	\$ 2,507,861
Motor Vehicle	287,251	0	0	287,251
Utilities	601,949	0	0	601,949
In Lieu of	3,696	0	0	3,696
Tuition	1,313	0	0	1,313
Earnings on Investments	61,805	0	9,655	71,460
Other local revenues	110,024	143,697	0	253,721
Intergovernmental - State	13,409,022	886,150	1,144,868	15,440,040
Intergovernmental - indirect federal	309,704	1,876,165	0	2,185,869
<b>TOTAL REVENUES</b>	<b>16,928,657</b>	<b>2,906,012</b>	<b>1,518,491</b>	<b>21,353,160</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	9,812,181	2,465,573	0	12,277,754
Support Services:				
Student	686,558	0	0	686,558
Instructional Staff	944,688	118,900	0	1,063,588
District Administration	593,201	0	0	593,201
School Administration	962,602	0	0	962,602
Business	316,997	0	0	316,997
Plant operations and maintenance	1,858,905	142,178	0	2,001,083
Student transportation	958,723	0	0	958,723
Community service activities	0	199,386	0	199,386
Other non-instruction	0	10,150	0	10,150
Facilities acquisition and construction	0	0	1,747,240	1,747,240
Debt service	0	0	1,031,341	1,031,341
<b>TOTAL EXPENDITURES</b>	<b>16,133,855</b>	<b>2,936,187</b>	<b>2,778,581</b>	<b>21,848,623</b>
Excess (deficit) of revenues over expenditures	794,802	(30,175)	(1,260,090)	(495,463)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of fixed assets	2,209	0	0	2,209
Operating transfers in	281,663	33,435	972,240	1,287,338
Operating transfers out	(33,435)	0	(1,188,767)	(1,222,202)
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>250,437</b>	<b>33,435</b>	<b>(216,527)</b>	<b>67,345</b>
Net change in fund balance	1,045,239	3,260	(1,476,617)	(428,118)
<b>Fund Balance, July 1, 2017</b>	<b>2,804,715</b>	<b>0</b>	<b>2,120,796</b>	<b>4,925,511</b>
<b>Fund Balance, June 30, 2018</b>	<b>\$ 3,849,954</b>	<b>\$ 3,260</b>	<b>\$ 644,179</b>	<b>\$ 4,497,393</b>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

Net change in total fund balances per fund financial statements \$ (428,118)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense for the year.

Depreciation expense	(820,378)	
Capital outlays	<u>1,715,784</u>	895,406

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Gross proceeds from the sale of fixed assets	(2,209)	
Gain (loss) on the disposal of fixed assets	<u>2,209</u>	0

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond Principal paid	814,199	
Note principal paid	<u>29,173</u>	843,372

Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

Amortization of deferred loss on early retirement of debt	(37,795)	
Amortization of bond discounts	<u>(7,751)</u>	(45,546)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	3,039	
Pension and OPEB expense	(900,737)	
Accrued sick leave	<u>29,705</u>	<u>(867,993)</u>

Change in net position of governmental activities		<u><u>\$ 397,121</u></u>
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2018

	<u>Food Service Fund</u>
<b>ASSETS:</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,072,718
Accounts receivable:	
Accounts receivable	1,541
Intergovernmental - indirect federal	26,292
Inventory	58,555
<b>Total current assets</b>	<u>1,159,106</u>
<b>Noncurrent Assets</b>	
Capital assets	924,829
Less: accumulated depreciation	(587,601)
<b>Total noncurrent assets</b>	<u>337,228</u>
TOTAL ASSETS	<u><u>\$ 1,496,334</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred pension related outflows	\$ 256,868
Deferred OPEB related outflows	71,942
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 328,810</u></u>
<b>LIABILITIES:</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 93,930
Current portion of accrued sick leave	1,001
<b>Total current liabilities</b>	<u>94,931</u>
<b>Noncurrent Liabilities</b>	
Noncurrent portion of accrued sick leave	8,099
Net pension liability	756,165
Net OPEB liability	259,708
<b>Total noncurrent liabilities</b>	<u>1,023,972</u>
TOTAL LIABILITIES	<u><u>\$ 1,118,903</u></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred pension related inflows	\$ 74,080
Deferred OPEB related inflows	13,598
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 87,678</u></u>
<b>Net Position</b>	
Net investment in capital assets	\$ 337,228
Restricted for food service	281,335
TOTAL NET POSITION	<u><u>\$ 618,563</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2018

	Food Service Fund
<b>Operating Revenues:</b>	
Lunchroom sales	\$ 52,942
Other operating revenues	<u>13,187</u>
<b>Total operating revenues</b>	<u>66,129</u>
<b>Operating Expenses:</b>	
Salaries and benefits	775,144
Contract services	60,209
Materials and supplies	650,461
Depreciation	40,583
Expendable equipment	18,896
Other operating expenses	<u>30</u>
<b>Total operating expenses</b>	<u>1,545,323</u>
Operating income (loss)	<u>(1,479,194)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal grants	1,288,138
Donated commodities	72,418
State grants	112,331
Interest income	<u>17,657</u>
<b>Total non-operating revenues</b>	<u>1,490,544</u>
Net income before transfers	11,350
Operating transfers out	<u>(65,136)</u>
Change in net position	(53,786)
<b>Net Position, July 1, 2017</b>	851,078
<b>Prior Period Adjustment - Note O</b>	<u>(178,729)</u>
<b>Net Position, June 30, 2018</b>	<u><u>\$ 618,563</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2018

	Food Service Fund
<b>Cash Flows from Operating Activities:</b>	
Cash received from:	
Lunchroom sales	\$ 52,942
Other operating revenues	19,059
Cash paid to/for:	
Employees	(534,425)
Contract services	(53,474)
Materials and supplies	(594,939)
Expendable equipment	(24,792)
Other operating expenses	(30)
<b>Net cash provided by (used in) operating activities</b>	<u>(1,135,659)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Transfers from (to) other funds	(65,136)
Operating grants received	1,289,311
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>1,224,175</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchases of capital assets	(37,488)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(37,488)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income received	17,657
<b>Net cash provided by (used in) investing activities</b>	<u>17,657</u>
Net increase (decrease) in cash and cash equivalents	68,685
<b>Cash and cash equivalents, July 1, 2017</b>	<u>1,004,033</u>
<b>Cash and cash equivalents, June 30, 2018</b>	<u><u>\$ 1,072,718</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (1,479,194)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	40,583
Commodities used	72,418
On-behalf payments	101,252
Changes in assets and liabilities:	
Inventory	(25,321)
Accounts receivable	5,872
Deferred outflows of resources	(163,469)
Accounts payable	9,264
Accrued sick leave	(2,610)
Net OPEB liability	67,982
Net pension liability	149,886
Deferred inflows of resources	87,678
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ (1,135,659)</u></u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>	
Food commodities received	\$ 72,418
On-behalf payments	101,252
<b>Total Non-Cash Investing, Capital, and Financing Activities</b>	<u><u>\$ 173,670</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2018

	Private Purpose Trust Funds	Agency Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 53,440	\$ 107,847
Accounts receivable	<u>0</u>	<u>3,344</u>
<b>Total Assets</b>	<u><u>\$ 53,440</u></u>	<u><u>\$ 111,191</u></u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 0	\$ 3,077
Due to Board General Fund	0	1,040
Due to student groups	<u>0</u>	<u>107,074</u>
<b>Total Liabilities</b>	<u><u>\$ 0</u></u>	<u><u>\$ 111,191</u></u>
<b>NET POSITION HELD IN TRUST</b>	<u><u>\$ 53,440</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2018

	Private Purpose Trust Funds
	<u>                    </u>
<b>Additions:</b>	
Interest income	\$ 223
Contributions received	<u>5,331</u>
<b>Total Additions</b>	<u>5,554</u>
 <b>Deductions:</b>	
Benefits paid	22,089
Bank service charges	5
Transfer to foundation	<u>8,380</u>
<b>Total Deductions</b>	<u>30,474</u>
Change in net position	(24,920)
<b>Net position, July 1, 2017</b>	<u>78,360</u>
<b>Net position, June 30, 2018</b>	<u><u>\$ 53,440</u></u>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year ended June 30, 2018

**NOTE A – REPORTING ENTITY**

The Mayfield Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Mayfield Independent School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Mayfield Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Mayfield Independent School District Finance Corporation – In 1991, the Mayfield Independent Board of Education resolved to authorize the establishment of the Mayfield Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Mayfield Independent Board of Education also comprise the Corporation’s Board of Directors.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 70. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$72,418 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (Redbook).
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Property Taxes

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2018, to finance operations were \$.721 per \$100 valuation for real property, \$.721 per \$100 valuation for business personal property and \$.721 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2018 consisted of student accident insurance paid during the fiscal year ended June 30, 2018 that included coverage for periods beyond June 30, 2018.

Debt Costs

Unamortized discounts of \$56,692 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 18, 2012 meeting the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The guidelines established a capitalization threshold of \$5,000 for real or personal property. Larger thresholds apply to buildings and building improvements (\$15,000) and leasehold improvements (\$50,000). Improvements to land and to buildings in excess of the above limits are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Accrued Liabilities and Long-Term Obligations - Continued

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2018.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions and Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and Teachers Retirement System of the State of Kentucky (TRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investment and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 13, 2018, the date the financial statements were available to be issued.

**NOTE C – ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows, liabilities, deferred inflows, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE D – CASH AND CASH EQUIVALENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$5,599,774. The bank balance was \$6,288,652. Of the bank balance, \$251,705 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$6,036,947 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.



MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
YEAR ENDED JUNE 30, 2018

**Note E - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital Assets:				
Land and improvements	\$ 1,603,259	\$ 0	\$ 0	\$ 1,603,259
Buildings and improvements	20,199,358	4,110,177	0	24,309,535
Technology equipment	2,104,114	18,340	9,330	2,113,124
Vehicles	1,409,837	174,280	0	1,584,117
General Equipment	1,302,445	42,247	3,450	1,341,242
Construction	4,384,830	1,480,917	4,110,177	1,755,570
Totals at historical cost	<u>31,003,843</u>	<u>5,825,961</u>	<u>4,122,957</u>	<u>32,706,847</u>
Less: Accumulated depreciation				
Land and improvements	614,416	6,503	0	620,919
Buildings and improvements	9,155,690	506,519	0	9,662,209
Technology equipment	1,721,663	142,669	9,330	1,855,002
Vehicles	1,108,181	63,827	0	1,172,008
General equipment	765,549	100,860	3,450	862,959
Total accumulated depreciation	<u>13,365,499</u>	<u>820,378</u>	<u>12,780</u>	<u>14,173,097</u>
Governmental Activities Capital Assets - Net	<u>\$ 17,638,344</u>	<u>\$ 5,005,583</u>	<u>\$ 4,110,177</u>	<u>\$ 18,533,750</u>
<b>Business-Type Activities</b>				
Capital Assets:				
Technology equipment	\$ 36,090	\$ 0	\$ 0	\$ 36,090
General Equipment	777,795	110,944	0	888,739
Totals at historical cost	<u>813,885</u>	<u>110,944</u>	<u>0</u>	<u>924,829</u>
Less: Accumulated depreciation				
Technology equipment	27,140	958	0	28,098
General Equipment	519,878	39,625	0	559,503
Total accumulated depreciation	<u>547,018</u>	<u>40,583</u>	<u>0</u>	<u>587,601</u>
Business-Type Activities Capital Assets - Net	<u>\$ 266,867</u>	<u>\$ 70,361</u>	<u>\$ 0</u>	<u>\$ 337,228</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 484,220
Student support services	23,385
Instructional staff support services	10,265
District administration	19,536
School administration	1,212
Business	24,058
Plant operation and maintenance	203,757
Student transportation	53,542
Community services	403
Total depreciation expense	<u>\$ 820,378</u>

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE F – GENERAL LONG-TERM OBLIGATIONS**

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Mayfield Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Mayfield Independent School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

Following is a schedule of obligations existing at June 30, 2018:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
January 1, 2009 KISTA	January 1, 2019	2.000% - 3.900%	\$ 7,037
December 1, 2009 KISTA	December 1, 2019	2.000% - 3.600%	14,919
March 20, 2012, refunding	March 1, 2024	0.600% - 2.300%	4,035,000
February 1, 2014	February 1, 2034	1.500% - 4.000%	487,000
June 1, 2016	June 1, 2036	1.000% - 3.000%	1,735,000
December 28, 2016	December 1, 2036	1.500% - 3.750%	1,105,000
December 28, 2016	December 1, 2036	1.000%	2,990,000
			<u>\$ 10,373,956</u>

In 1997 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On March 20, 2012, the District issued bonds to currently refund all outstanding 2001 School Building Revenue Bonds and to advance refund on March 1, 2014 the outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after March 1, 2017. The defeased bonds were paid during a previous year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$454,162. Amortization for the year was \$37,795 and is included as a component of interest expense.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE F – GENERAL LONG-TERM OBLIGATIONS (CONTINUED)**

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2018 for debt service (principal and interest) are as follows:

Year	Mayfield Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2018-2019	\$ 779,067	\$ 186,916	\$ 39,304	\$ 19,436	\$ 1,024,723
2019-2020	792,036	174,303	39,549	18,832	1,024,720
2020-2021	789,139	158,951	40,861	17,825	1,006,776
2021-2022	803,822	143,206	42,178	16,782	1,005,988
2022-2023	818,482	126,278	42,518	15,689	1,002,967
2023-2024	843,120	108,412	43,880	14,571	1,009,983
2024-2025	340,000	88,245	28,000	13,400	469,645
2025-2026	345,000	82,920	29,000	12,280	469,200
2026-2027	355,000	77,495	30,000	11,120	473,615
2027-2028	360,000	71,578	31,000	9,920	472,498
2028-2029	370,000	65,500	33,000	8,680	477,180
2029-2030	370,000	59,230	34,000	7,360	470,590
2030-2031	380,000	52,160	35,000	6,000	473,160
2031-2032	390,000	44,781	37,000	4,600	476,381
2032-2033	395,000	36,994	38,000	3,120	473,114
2033-2034	405,000	28,938	40,000	1,600	475,538
2034-2035	410,000	20,762	0	0	430,762
2035-2036	420,000	12,319	0	0	432,319
2036-2037	425,000	3,156	0	0	428,156
	<u>\$ 9,790,666</u>	<u>\$ 1,542,144</u>	<u>\$ 583,290</u>	<u>\$ 181,215</u>	<u>\$ 12,097,315</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2018 was \$251,898.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
<b>Governmental:</b>					
Bonds payable	\$11,151,000	\$ 0	\$ 799,000	\$10,352,000	\$ 804,000
Less: Unamortized discounts	(64,443)	0	(7,751)	(56,692)	(7,751)
Capital lease - KISTA	37,155	0	15,199	21,956	14,371
KSBIT payable	116,693	0	29,173	87,520	29,174
Sick leave	180,232	7,290	40,667	146,855	16,154
Net pension liability	5,360,444	887,517	0	6,247,961	0
Net OPEB liability	5,894,151	492,736	0	6,386,887	0
Totals	<u>\$22,675,232</u>	<u>\$1,387,543</u>	<u>\$ 876,288</u>	<u>\$23,186,487</u>	<u>\$ 855,948</u>
<b>Business-Type:</b>					
Sick leave	\$ 11,710	\$ 6,490	\$ 9,100	\$ 9,100	\$ 1,001
Net pension liability	606,279	149,886	0	756,165	0
Net OPEB liability	191,726	67,982	0	259,708	0
Totals	<u>\$ 809,715</u>	<u>\$ 224,358</u>	<u>\$ 9,100</u>	<u>\$ 1,024,973</u>	<u>\$ 1,001</u>

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS**

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

**County Employees Retirement System Pension and Insurance Funds**

*Plan Descriptions and Benefits Provided* - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems (KRS), an agency of the Commonwealth of Kentucky. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. CERS provides retirement, disability benefits, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The CERS also provides other post-employment benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund), which was established to provide hospital and medical insurance for members receiving benefits from CERS. The insurance fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Kentucky Retirement Systems. The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the insurance fund is based upon years of service. All participants enrolled in CERS are automatically enrolled in both the insurance fund and the pension fund. Information regarding the Insurance Fund is contained in the financial statements of the Kentucky Retirement Systems.

The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing or calling the plan.

Kentucky Retirement Systems  
Perimeter Park West  
1260 Louisville Road  
Frankfort, KY 40601-6124  
(502) 564-4646

*Contributions* – Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5% of their annual creditable compensation. Plan members who began participating on or after September 1, 2008 are required to contribute an additional 1% for retirement health insurance coverage. Plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan which is a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan are required to contribute at the same rates as plan members who began participating on or after September 1, 2008. The employer contribution plan rates for non-hazardous plan members were 19.18% for the year ended June 30, 2018. The required contribution rates are made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. For non-hazardous contributions, 14.48% is the rate for the pension fund and 4.70% is the rate for the insurance fund. The pension contributions for the fiscal year ended June 30, 2018 were \$440,368. The insurance contributions for the fiscal year ended June 30, 2018 were \$142,937. The actuarially determined contribution requirements of plan members and the District are established and may be amended by the KRS Board of Trustees.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS - CONTINUED**

**County Employees Retirement System Pension Fund**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2018, the District reported a liability of \$7,004,126 for its proportionate share of the net pension liability. The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to the pension plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .119661% for non-hazardous employees.

As a result of its requirement to contribute to the CERS pension fund, the District recognized pension expense of \$1,313,141 for the year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Net differences between projected and actual earnings on pension plan investments	\$ 494,831	\$ 59,887	\$ 417,551	\$ 50,534
Differences between expected and actual experience	7,749	938	158,600	19,195
Changes of assumptions	1,152,918	139,533	0	0
Change in proportion and differences between employer contributions and proportionate share of plan contributions	74,112	8,970	35,948	4,351
District contributions subsequent to the measurement date	392,828	47,540	0	0
Total	<u>\$ 2,122,438</u>	<u>\$ 256,868</u>	<u>\$ 612,099</u>	<u>\$ 74,080</u>

Deferred outflows of resources in governmental activities of \$392,828 and in business-type activities of \$47,540 related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Governmental</u>	<u>Business-Type</u>
<u>June 30</u>	<u>Activities</u>	<u>Activities</u>
2019	\$ 531,700	\$ 64,350
2020	463,631	56,112
2021	202,406	24,496
2022	(80,226)	(9,710)

The net pension liability as of June 30, 2018 is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period of 3.50 years.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**County Employees Retirement System Pension Fund (Continued)**

*Actuarial Assumptions* - The total pension liability, net pension liability, and sensitivity information for the actuarial valuation as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled forward from the valuation date (June 30, 2016) to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2008 to June 30, 2013. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation - 2.30%  
Salary increases - 3.05% average, including inflation  
Investment rate of return – 6.25% net of pension plan investment expense, including inflation  
Payroll growth rate – 2.00%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected rate of return on plan assets was determined by using a building block method in which best estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100.00%</u>	

*Discount Rate* - The discount rate used to measure the total pension liability was 6.25%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the close payroll for existing members.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**County Employees Retirement System Pension Fund (Continued)**

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate -* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount (6.25%)	1% Increase (7.25%)
District's proportionate share of net pension liability	\$8,833,717	\$7,004,126	\$5,473,687

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

*Payables to the pension plan* – At June 30, 2018, the financial statements include \$0 in payables to CERS for the pension and insurance funds.

**County Employees Retirement System Insurance Fund (OPEB)**

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - At June 30, 2018, the District reported a liability of \$2,405,595 for its proportionate share of the net OPEB liability of non-hazardous employees. The total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on a projection of the District's share of contributions to the OPEB plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .119661% for non-hazardous employees.

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

As a result of its requirement to contribute to the CERS insurance fund, the District recognized OPEB expense of \$274,127 for the year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Deferred Outflows of Resources</u> Governmental Activities	<u>Business-Type</u> Activities	<u>Deferred Inflows of Resources</u> Governmental Activities	<u>Business-Type</u> Activities
Net differences between projected and actual earnings on OPEB plan investments	\$ 0	\$ 0	\$ 101,413	\$ 12,274
Differences between expected and actual experience	0	0	5,960	721
Changes of assumptions	466,931	56,511	0	0
Change in proportion and differences between employer contributions and proportionate share of plan contributions	0	0	4,979	603
District contributions subsequent to the measurement date	127,506	15,431	0	0
Total	<u>\$ 594,437</u>	<u>\$ 71,942</u>	<u>\$ 112,352</u>	<u>\$ 13,598</u>

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**County Employees Retirement System Insurance Fund (OPEB) (Continued)**

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)* - Deferred outflows of resources in governmental activities of \$127,506 and in business-type activities of \$15,431 related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Governmental Activities	Business-Type Activities
2019	\$ 61,009	\$ 7,384
2020	61,009	7,384
2021	61,009	7,384
2022	61,009	7,384
2023	86,361	10,452
Thereafter	24,182	2,925

The net OPEB liability as of June 30, 2018 is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period of 6.28 years.

*Actuarial Assumptions* - The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled forward from the valuation date (June 30, 2016) to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2008 to June 30, 2013. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation - 2.30%

Salary increases - 3.05% average, including inflation

Investment rate of return – 6.25% net of OPEB plan investment expense, including inflation

Payroll growth rate – 2.00%

Healthcare trend rates – Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years (Post-65).

Single discount rate – 5.84% for non-hazardous

Municipal bond rate – 3.56%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.



**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**County Employees Retirement System Insurance Fund (OPEB) (Continued)**

*Actuarial Assumptions (Continued)* - The long-term expected rate of return on plan assets was determined by using a building block method in which best estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100.00%</u>	

*Discount Rate* - The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments from the retirement system, as a result, the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 75, the single equivalent interest rate at the measurement date of 5.84% for non-hazardous was calculated using the Municipal Bond Index Rate as of the measurement date of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate* - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<u>1% Decrease (4.84%)</u>	<u>Current Discount (5.84%)</u>	<u>1% Increase (6.84%)</u>
District's proportionate share of net OPEB liability	\$3,060,987	\$2,405,595	\$1,860,207

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**County Employees Retirement System Insurance Fund (OPEB) (Continued)**

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate* - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$1,845,215	\$2,405,595	\$3,134,056

*OPEB plan fiduciary net position* - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

*Payables to the OPEB plan* – At June 30, 2018, the financial statements include \$0 in payables to CERS for the pension and insurance funds.

**Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan**

*Plan Description* – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

*Benefits Provided* - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan (Continued)**

*Benefits Provided* (Continued) - Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary.

A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

*Contributions* - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Medical Insurance Plan**

*Plan Description* - In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Funding Policy* - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount of the Commonwealth's proportionate share of the net pension liability associated with the District was \$60,927,846.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the Commonwealth's proportion of the total liability of TRS that is related to the District was .2258%.

For the year ended June 30, 2018, the District recognized pension expense of \$2,164,729 and revenue of \$2,164,729 for support provided by the Commonwealth.

*Actuarial Assumptions* - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	3.50-7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.56%
Single Equivalent Interest Rate	4.49%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward one year for females and two years for males. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the TRS Board on September 19, 2016. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	42.0%	4.4%
International Equity	20.0%	5.3%
Fixed Income	16.0%	1.5%
Additional Categories	9.0%	3.6%
Real Estate	5.0%	4.4%
Alternatives	6.0%	6.7%
Cash	2.0%	.8%
Total	<u>100.0%</u>	

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

*Discount Rate* - The discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates, and the additional amount appropriated for fiscal year 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The following table presents the net pension liability of the District, calculated using the discount rate of 4.49%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

	1% Decrease <u>(3.49%)</u>	Current Discount <u>Rate (4.49%)</u>	1% Increase <u>(5.49%)</u>
District's proportionate share of net pension liability	\$0	\$0	\$0

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report.

**Teachers' Retirement System of the State of Kentucky General Information about the OPEB Plan**

*Plan Description* – Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

**Medical Insurance Plan**

*Plan Description* - In addition to the OPEB benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

*Benefits Provided* - To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**Medical Insurance Plan (Continued)**

*Contributions* - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At June 30, 2018, the District reported a liability of \$4,241,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .118924%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 4,241,000
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>3,464,000</u>
Total	<u>\$ 7,705,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$501,000 and revenue of \$166,435 for support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Differences between expected and actual experience	\$ 0	\$ 0	\$ 55,000	\$ 0
District contributions subsequent to the measurement date	<u>207,702</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 207,702</u>	<u>\$ 0</u>	<u>\$ 55,000</u>	<u>\$ 0</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$207,702 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ (13,750)	\$ 0
2020	(13,750)	0
2021	(13,750)	0
2022	(13,750)	0

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

*Actuarial Assumptions* - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, health care trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation. The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories	10.0%	3.3%
Cash (LIBOR)	1.0%	.5%
Total	<u>100.0%</u>	

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

*Discount Rate* - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of net pension liability	\$4,938,384	\$4,241,000	\$3,659,755

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates* – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension liability	\$3,551,321	\$4,241,000	\$5,091,952

*OPEB plan fiduciary net position* - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**Life Insurance Plan**

*Plan Description* – TRS administers the life insurance plan as provided by KRS 161.655 to eligible active and retired members. The TRS Life Insurance Benefit Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

*Benefits Provided* - TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member's estate or to a party designated by the member.

*Contributions* - In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.



**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 0
Commonwealth's proportionate share of the net OPEB liability associated with the District	46,000
Total	<u>\$ 46,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,038 and revenue of \$2,038 for support provided by the Commonwealth.

*Actuarial Assumptions* - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation. The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE G – EMPLOYEE BENEFITS – CONTINUED**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Large Cap Equity	38.4%	4.3%
U.S. Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income – Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other Additional Categories	7.0%	3.3%
Cash (LIBOR)	1.0%	.5%
Total	<u>100.0%</u>	

*Discount Rate* - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of net pension liability	\$0	\$0	\$0

*OPEB plan fiduciary net position* - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION**

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2018:

Contributions to Kentucky Teachers' Retirement System	\$ 2,333,202
Technology	50,778
SFCC Debt Service	59,101
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>2,181,393</u>
Total	<u>\$ 4,624,474</u>

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION (Continued)**

On-behalf contributions were charged to functions as follows:

Instruction	\$ 3,204,339
Support services:	
Student	226,147
Instructional staff	110,412
District administration	67,350
School administration	288,050
Business	124,918
Plant operations and maintenance	226,635
Student transportation	216,270
Debt service	59,101
Food service	101,252
Total	<u>\$ 4,624,474</u>

**NOTE I – COMMITMENTS AND CONTINGENCIES**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

**NOTE J – INSURANCE AND RISK MANAGEMENT**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE K - COBRA**

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION**

During the fiscal year ended June 30, 2017, the District received bids and approved the awarding of a contract for Phase II renovations at Mayfield Middle School in the amount of \$2,970,074. Change orders increased the contract by \$93,487. There was a balance remaining on the contract of \$25,000 at June 30, 2018.

**NOTE M – INTERFUND RECEIVABLES AND PAYABLES**

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2018, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Agency Fund	\$ 1,040	\$ 0
Agency Fund:		
General Fund	0	1,040

**NOTE N - TRANSFER OF FUNDS**

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	FSPK	General	Capital funds request	\$ 57,318
Matching	General	Special Revenue	Technology Match	33,435
Operating	Capital Outlay	General	Capital funds request	159,209
Operating	FSPK	Debt Service	Debt Service	972,240
Operating	Food Service	General	Indirect Costs	65,136

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE O – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING NET POSITION**

In June 2015, the *Governmental Accounting Standards Board* (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which replaces GASB Statement No. 45. The new standard addresses several issues regarding postemployment benefits other than pensions, including the liabilities reported pertaining to unfunded portions and the disclosure requirements of those plans. The standard is effective for the District for the fiscal year beginning July 1, 2017. The new standard requires the District to report its proportionate share of the total net other postemployment benefit (OPEB) liabilities which consists of the insurance portion of the County Employee Retirement System Plan and of the Teachers' Retirement System of the State of Kentucky's Medical Insurance Plan as a liability on the statement of net position and to recognize the appropriate expense on the statement of revenues, expenses, and changes in net position. The standard also requires the deferral of changes in the net OPEB liability and amortization of those changes over set periods.

The District's proportionate share of the net OPEB liability and deferred outflows related to CERS at July 1, 2017 was \$1,886,877 and \$127,905, respectively. The District's proportionate share of the net OPEB liability and deferred outflows related to TRS at July 1, 2017 was \$4,199,000 and \$203,750, respectively. Beginning net position at July 1, 2017 has been adjusted to reflect this.

	Governmental Activities	Food Service Fund
Net position July 1, 2017, as previously stated	<u>\$ 7,367,504</u>	<u>\$ 851,078</u>
Proportionate share of net OPEB liabilities – CERS	(1,695,151)	(191,726)
Proportionate share of net OPEB liabilities – TRS	(4,199,000)	0
Deferred outflows – CERS contributions made after the measurement date	114,908	12,997
Deferred outflows – TRS contributions made after the measurement date	<u>203,750</u>	<u>0</u>
Total adjustment to beginning net position	<u>(5,575,493)</u>	<u>(178,729)</u>
Net position July 1, 2017, as Restated	<u>\$ 1,792,011</u>	<u>\$ 672,349</u>

The net position at June 30, 2016 and related deferred outflows and inflows could not be determined in a practical manner. Therefore, net position at June 30, 2016 has not been restated and is presented based on previous guidance under GASB Statement No. 45.

## **REQUIRED SUPPLEMENTARY INFORMATION**

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Taxes:				
Property	\$ 2,041,000	\$ 2,071,000	\$ 2,143,893	\$ 72,893
Motor Vehicle	240,000	247,000	287,251	40,251
Utilities	560,000	560,000	601,949	41,949
In Lieu of	5,000	5,000	3,696	(1,304)
Tuition	0	0	1,313	1,313
Earnings on Investments	15,000	80,000	61,805	(18,195)
Other local revenues	13,800	75,746	110,024	34,278
Intergovernmental - State	8,346,984	8,918,154	13,409,022	4,490,868
Intergovernmental - Indirect Federal	209,995	209,995	309,704	99,709
<b>TOTAL REVENUES</b>	<b>11,431,779</b>	<b>12,166,895</b>	<b>16,928,657</b>	<b>4,761,762</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	6,689,995	6,898,076	9,812,181	(2,914,105)
Support Services:				
Student	477,856	478,207	686,558	(208,351)
Instructional Staff	822,448	865,668	944,688	(79,020)
District Administration	843,239	1,995,835	593,201	1,402,634
School Administration	699,535	723,956	962,602	(238,646)
Business	268,321	272,027	316,997	(44,970)
Plant operations and maintenance	1,523,407	1,597,738	1,858,905	(261,167)
Student transportation	548,876	775,953	958,723	(182,770)
Contingency	1,393,425	1,390,716	0	1,390,716
<b>TOTAL EXPENDITURES</b>	<b>13,267,102</b>	<b>14,998,176</b>	<b>16,133,855</b>	<b>(1,135,679)</b>
Excess (deficit) of revenues over expenditures	<b>(1,835,323)</b>	<b>(2,831,281)</b>	<b>794,802</b>	<b>3,626,083</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of fixed assets	0	0	2,209	2,209
Operating transfers in	60,000	60,000	281,663	221,663
Operating transfers out	(24,677)	(33,435)	(33,435)	0
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>35,323</b>	<b>26,565</b>	<b>250,437</b>	<b>223,872</b>
Net change in fund balance	(1,800,000)	(2,804,716)	1,045,239	3,849,955
<b>Fund Balance, July 1, 2017</b>	<b>1,800,000</b>	<b>2,804,716</b>	<b>2,804,715</b>	<b>(1)</b>
<b>Fund Balance, June 30, 2018</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,849,954</b>	<b>\$ 3,849,954</b>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$4,464,121 from the state are included in both revenues and expenditures in the actual column;  
however, this amount was not required to be included in the budget.

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Other local revenues	\$ 5,800	\$ 13,020	\$ 143,697	\$ 130,677
Intergovernmental - State	808,617	882,790	886,150	3,360
Intergovernmental - Indirect federal	1,466,286	1,897,553	1,876,165	(21,388)
<b>TOTAL REVENUES</b>	<u>2,280,703</u>	<u>2,793,363</u>	<u>2,906,012</u>	<u>112,649</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	1,928,319	2,417,942	2,465,573	(47,631)
Support Services:				
Instructional Staff	159,334	167,906	118,900	49,006
Plant operations and maintenance	63,674	388,767	142,178	246,589
Community service activities	154,053	153,045	199,386	(46,341)
Other non-instruction	0	0	10,150	(10,150)
<b>TOTAL EXPENDITURES</b>	<u>2,305,380</u>	<u>3,127,660</u>	<u>2,936,187</u>	<u>191,473</u>
Excess (deficit) of revenues over expenditures	<u>(24,677)</u>	<u>(334,297)</u>	<u>(30,175)</u>	<u>304,122</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	24,677	292,840	33,435	(259,405)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>24,677</u>	<u>292,840</u>	<u>33,435</u>	<u>(259,405)</u>
Net change in fund balance	0	(41,457)	3,260	44,717
<b>Fund Balance, July 1, 2017</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, June 30, 2018</b>	<u>\$ 0</u>	<u>\$ (41,457)</u>	<u>\$ 3,260</u>	<u>\$ 44,717</u>

See independent auditor's report and accompanying notes to financial statements



**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND  
LAST FOUR FISCAL YEARS\***

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.119661%	0.121186%	0.119811%	0.108070%
District's proportionate share of the net pension liability	\$ 7,004,126	\$ 5,966,723	\$ 5,151,289	\$ 3,506,205
District's covered payroll	\$ 2,704,113	\$ 2,897,377	\$ 2,802,413	\$ 2,506,148
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.02%	205.94%	183.82%	139.90%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%

\* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

**Notes to Schedule**

The total pension liability and net pension liability as of June 30, 2018, is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2016
Experience study:	July 1, 2008 - June 30, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Remaining amortization period:	26 years, closed
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.05%, average
Investment rate of return:	6.25%, net of pension plan investment expense, including inflation
Mortality:	For active members: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). For disabled members: RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).
Change of benefit terms:	None
Change of assumptions:	The investment rate of return was decreased from 7.50% to 6.25%. The price inflation assumption was decreased from 3.25% to 2.30%. The payroll growth rate assumption was decreased from 4.00% to 2.00%. The salary increase assumption decreased from 4.00% to 3.05%, average. The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

NOTE: This schedule is based on the last measurement date of the net pension liability.  
See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND  
LAST FIVE FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 440,368	\$ 377,224	\$ 359,704	\$ 356,573	\$ 344,344
Contributions in relation to the contractually required contribution	<u>440,368</u>	<u>377,224</u>	<u>359,704</u>	<u>356,573</u>	<u>344,344</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 3,052,374	\$ 2,704,113	\$ 2,897,377	\$ 2,802,413	\$ 2,506,148
Contributions as a percentage of covered payroll	14.43%	13.95%	12.41%	12.72%	13.74%

\* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND  
FISCAL YEAR ENDED JUNE 30, 2018\***

	<b>2018</b>
District's proportion of the net OPEB liability	0.119661%
District's proportionate share of the net OPEB liability	\$ 2,405,595
District's covered payroll	\$ 2,704,113
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	88.96%
Plan fiduciary net position as a percentage of the total OPEB liability	66.80%

\* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

**Notes to Schedule**

The total OPEB liability and net OPEB liability as of June 30, 2018, is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2016
Experience study:	July 1, 2008 - June 30, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Remaining amortization period:	26 years, closed
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.05%, average
Investment rate of return:	6.25%, net of OPEB plan investment expense, including inflation
Mortality:	For active members: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). For disabled members: RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).
Healthcare trend rates:	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years (Post-65).
Change of benefit terms:	None
Change of assumptions:	The investment rate of return was decreased from 7.50% to 6.25%. The price inflation assumption was decreased from 3.25% to 2.30%. The payroll growth rate assumption was decreased from 4.00% to 2.00%. The salary increase assumption decreased from 4.00% to 3.05%, average. The single discount rate for non-hazardous changed from 6.89% to 5.84%. The municipal bond rate increased from 2.92% to 3.56%. Healthcare trend rates were changed as noted above. The assumed rates of retirement, withdrawal, disability, and medical cost inflation were updated to more accurately reflect experience.

NOTE: This schedule is based on the last measurement date of the net OPEB liability.

See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND  
LAST TWO FISCAL YEARS\***

	<u><b>2018</b></u>	<u><b>2017</b></u>
Contractually required contribution	\$ 142,937	\$ 127,905
Contributions in relation to the contractually required contribution	<u>142,937</u>	<u>127,905</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 3,052,374	\$ 2,704,113
Contributions as a percentage of covered payroll	4.68%	4.73%

\* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end. District contributions do not include the expected implicit subsidy used in calculating the net OPEB liability.

See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND  
LAST FOUR FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0%	0%	0%	0%
District's proportionate share of the net pension liability	\$ 0	\$ 0	\$ 0	\$ 0
Commonwealth's proportion of the net pension liability associated with the District	0.225800%	0.236100%	0.236600%	0.232500%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 60,927,846	\$ 69,660,375	\$ 55,068,704	\$ 47,773,793
District's covered payroll	\$ 7,277,377	\$ 7,809,190	\$ 7,683,219	\$ 7,301,694
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered payroll	837.22%	892.03%	716.74%	654.28%
Plan fiduciary net position as a percentage of the total pension liability	39.83%	35.22%	42.49%	45.59%

\* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates in the schedule of district contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Valuation date:	June 30, 2016
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age
Amortization method:	Level percentage of payroll, open
Remaining amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation:	3.00%
Salary increase:	3.5 - 7.3%, including inflation
Investment rate of return:	7.5%, net of pension plan investment expense, including inflation
Mortality:	RP-2000 Combined Mortality Table projected with Scale BB to 2025 (set forward two years for males and one year for females).
Municipal Bond Index Rate	3.56%
Single Equivalent Interest Rate	4.49%
Change of benefit terms:	None
Change of assumptions:	In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND  
LAST FIVE FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,300,324	\$ 1,256,687	\$ 1,263,894	\$ 1,240,783	\$ 976,636
District's contributions in relation to the contractually required contribution - federal programs	135,595	110,488	124,998	114,980	106,512
Commonwealth's contributions in relation to the contractually required contribution	<u>2,164,729</u>	<u>1,146,199</u>	<u>1,138,896</u>	<u>1,125,803</u>	<u>870,124</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 7,767,821	\$ 7,277,377	\$ 7,809,190	\$ 7,683,219	\$ 7,301,694
Contributions as a percentage of District's covered payroll	29.61%	17.27%	16.18%	16.15%	13.38%

\* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY**  
**KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN**  
**FISCAL YEAR ENDED JUNE 30, 2018\***

	<b>2018</b>
District's proportion of the collective net OPEB liability	0.118924%
District's proportionate share of the collective net OPEB liability	\$ 4,241,000
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.097144%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	\$ 3,464,000
District's covered payroll	\$ 7,277,377
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	58.28%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	47.60%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%

\* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of District Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ended June 30, 2017:

Valuation date:	June 30, 2016
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	30 years, open
Asset valuation method:	5-year smoothed value
Investment rate of return:	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases:	3.50 - 7.20%, including wage inflation
Inflation rate:	3.00%
Real wage growth:	0.50%
Wage inflation:	3.50%
Municipal Bond Index Rate:	3.56%
Discount rate	8.00%
Single Equivalent Interest Rate:	8.00%, net of OPEB plan investment expense, including price inflation
Mortality:	Based on the RP-2000 Combined Mortality Table projected with Scale BB to 2025 (set forward two years for males and one year for females) for the period after service retirement and for dependent beneficiaries. Based on the RP-2000 Disabled Mortality Table set forward two years for males and seven years for females used for the period after disability retirement.
Health care cost trends:	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).
Change of benefit terms:	With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.
Change of assumptions:	None
See Notes to Financial Statements	

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN  
FISCAL YEAR ENDED JUNE 30, 2018\***

	<u><b>2018</b></u>
Contractually required contribution	\$ 374,137
District's contributions in relation to the contractually required contribution -	207,702
Commonwealth's contributions in relation to the contractually required contribution	<u>166,435</u>
Contribution deficiency (excess)	<u><u>\$ 0</u></u>
District's covered payroll	\$ 7,767,821
Contributions as a percentage of District's covered payroll	4.82%

\* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements



**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY  
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN  
FISCAL YEAR ENDED JUNE 30, 2018\***

	<u>2018</u>
District's proportion of the collective net OPEB liability	0%
District's proportionate share of the collective net OPEB liability	\$ 0
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.211210%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	\$ 46,000
District's covered payroll	\$ 7,277,377
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	0.63%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%

\* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates in the schedule of district contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Valuation date:	June 30, 2016
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	30 years, open
Asset valuation method:	Market value
Annual money weighted rate of return	1.02%, net of investment expense
Projected salary increases:	3.50 - 7.20%, including wage inflation
Inflation rate:	3.00%
Real wage growth:	0.50%
Wage inflation:	3.50%
Discount rate	7.50%
Change of benefit terms:	None
Change of assumptions:	None

See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN  
FISCAL YEAR ENDED JUNE 30, 2018\***

	<u>2018</u>
Contractually required contribution	\$ 2,038
District's contributions in relation to the contractually required contribution -	0
Commonwealth's contributions in relation to the contractually required contribution	<u>2,038</u>
Contribution deficiency (excess)	<u><u>\$ 0</u></u>
District's covered payroll	\$ 7,767,821
Contributions as a percentage of District's covered payroll	0.03%

\* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

## **OTHER SUPPLEMENTARY INFORMATION**

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2018

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS AND RESOURCES:</b>					
Cash and cash equivalents	\$ 260,470	\$ 270,273	\$ 111,731	\$ 1,705	\$ 644,179
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 260,470</u>	<u>\$ 270,273</u>	<u>\$ 111,731</u>	<u>\$ 1,705</u>	<u>\$ 644,179</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EQUITY AND FUND BALANCES:</b>					
Restricted:					
KSFCC Escrow	32,487	265,299	0	0	297,786
Construction	0	0	111,731	0	111,731
Debt service	0	0	0	1,705	1,705
Other	227,983	4,974	0	0	232,957
<b>TOTAL FUND BALANCES</b>	<u>260,470</u>	<u>270,273</u>	<u>111,731</u>	<u>1,705</u>	<u>644,179</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$260,470</u>	<u>\$ 270,273</u>	<u>\$ 111,731</u>	<u>\$ 1,705</u>	<u>\$ 644,179</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 363,968	\$ 0	\$ 0	\$ 0	\$ 363,968
Earnings on Investments	0	0	9,570	85	9,655
Intergovernmental - State	921,584	164,183	0	59,101	1,144,868
TOTAL REVENUES	<u>1,285,552</u>	<u>164,183</u>	<u>9,570</u>	<u>59,186</u>	<u>1,518,491</u>
EXPENDITURES:					
Facilities acquisition and construction	28,011	0	1,719,229	0	1,747,240
Debt service	0	0	0	1,031,341	1,031,341
TOTAL EXPENDITURES	<u>28,011</u>	<u>0</u>	<u>1,719,229</u>	<u>1,031,341</u>	<u>2,778,581</u>
Excess (deficit) of revenues over expenditures	<u>1,257,541</u>	<u>164,183</u>	<u>(1,709,659)</u>	<u>(972,155)</u>	<u>(1,260,090)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0	0	972,240	972,240
Operating transfers out	(1,029,558)	(159,209)	0	0	(1,188,767)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,029,558)</u>	<u>(159,209)</u>	<u>0</u>	<u>972,240</u>	<u>(216,527)</u>
Net change in fund balance	227,983	4,974	(1,709,659)	85	(1,476,617)
Fund Balance, July 1, 2017	<u>32,487</u>	<u>265,299</u>	<u>1,821,390</u>	<u>1,620</u>	<u>2,120,796</u>
Fund Balance, June 30, 2018	<u>\$ 260,470</u>	<u>\$ 270,273</u>	<u>\$ 111,731</u>	<u>\$ 1,705</u>	<u>\$ 644,179</u>

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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
For the Year Ended June 30, 2018

	2004 BONDS FUND	2008 BONDS FUND	2012 BONDS FUND
REVENUES:			
Earnings on investments	\$ 9	\$ 0	\$ 37
Intergovernmental - State	0	0	17,269
	<u>9</u>	<u>0</u>	<u>17,306</u>
TOTAL REVENUES			
	<u>9</u>	<u>0</u>	<u>17,306</u>
EXPENDITURES:			
Debt Service:			
Principal	0	0	635,000
Interest	0	0	90,585
	<u>0</u>	<u>0</u>	<u>725,585</u>
TOTAL EXPENDITURES			
	<u>0</u>	<u>0</u>	<u>725,585</u>
Excess (deficit) of revenues over expenditures	<u>9</u>	<u>0</u>	<u>(708,279)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	0	0	708,316
Operating transfers out	(1,540)	(45)	0
	<u>(1,540)</u>	<u>(45)</u>	<u>708,316</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>(1,540)</u>	<u>(45)</u>	<u>708,316</u>
Net change in fund balance	(1,531)	(45)	37
Fund balance July 1, 2017	1,531	45	25
Fund balance June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62</u>

See independent auditor's report and accompanying notes to financial statements

2014 BONDS FUND	2016A BONDS FUND	2016B BONDS FUND	2016Q BONDS FUND	KISTA	Totals Debt service Fund
\$ 2	\$ 33	\$ 4	\$ 0	\$ 0	\$ 85
41,832	0	0	0	0	59,101
<u>41,834</u>	<u>33</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>59,186</u>
24,000	80,000	50,000	10,000	15,199	814,199
17,832	42,785	34,670	29,950	1,320	217,142
<u>41,832</u>	<u>122,785</u>	<u>84,670</u>	<u>39,950</u>	<u>16,519</u>	<u>1,031,341</u>
<u>2</u>	<u>(122,752)</u>	<u>(84,666)</u>	<u>(39,950)</u>	<u>(16,519)</u>	<u>(972,155)</u>
1,540	122,830	84,670	39,950	16,519	973,825
0	0	0	0	0	(1,585)
<u>1,540</u>	<u>122,830</u>	<u>84,670</u>	<u>39,950</u>	<u>16,519</u>	<u>972,240</u>
1,542	78	4	0	0	85
0	17	2	0	0	1,620
<u>\$ 1,542</u>	<u>\$ 95</u>	<u>\$ 6</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,705</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING BALANCE SHEET - SCHOOL ACTIVITY FUNDS**  
June 30, 2018

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	\$ 15,789	\$ 44,275	\$ 47,783	\$ 107,847
Accounts Receivable	30	3,025	289	3,344
<b>TOTAL ASSETS</b>	<b>\$ 15,819</b>	<b>\$ 47,300</b>	<b>\$ 48,072</b>	<b>\$ 111,191</b>
LIABILITIES:				
Accounts Payable	\$ 71	\$ 2,258	\$ 748	\$ 3,077
Due to Board General Fund	0	1,040	0	1,040
Due to Student Groups	15,748	44,002	47,324	107,074
<b>TOTAL LIABILITIES</b>	<b>\$ 15,819</b>	<b>\$ 47,300</b>	<b>\$ 48,072</b>	<b>\$ 111,191</b>
<b>NET POSITION HELD IN TRUST</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

See independent auditor's report and accompanying notes to financial statements



MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS**

For the Year Ended June 30, 2018

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum only)
REVENUES:				
From local sources:				
Earnings on Investments	\$ 215	\$ 743	\$ 795	\$ 1,753
Student activities	40,604	134,993	399,745	575,342
Total Revenues	40,819	135,736	400,540	577,095
EXPENDITURES				
Student Activities	44,328	133,026	399,421	576,775
Total expenditures	44,328	133,026	399,421	576,775
Net change in due to student groups	(3,509)	2,710	1,119	320
Due to student groups, July 1, 2017	19,257	41,292	46,205	106,754
Due to student groups, June 30, 2018	<u>\$ 15,748</u>	<u>\$ 44,002</u>	<u>\$ 47,324</u>	<u>\$ 107,074</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT - ALL FUNDS COMBINED  
**STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS**  
**Mayfield High School**  
For the Year Ended June 30, 2018

	<b>Cash Balance</b>	<b>Receipts</b>		<b>Disbursements</b>	
	<b>July 1, 2017</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
General Fund	\$ 1,558.31	\$ 20,109.22	\$ 5,400.00	\$ 20,206.89	\$ 4,700.00
Build a Bed	0.00	427.00	0.00	394.33	0.00
Cardinals Closet	385.42	0.00	200.00	385.42	200.00
Student Council	623.93	715.30	350.00	710.69	500.00
Physics Class	1,586.90	0.00	0.00	206.20	1,654.00
Pep Club	0.00	457.00	0.00	300.00	0.00
JAG	0.00	1,557.13	0.00	361.13	0.00
Drama	363.16	3,482.53	550.00	3,784.80	1,500.00
Teacher Fund	683.19	972.11	500.00	981.41	400.00
Pure Cardinals	747.74	793.00	500.00	1,209.83	600.00
Cultural Diversity	248.19	7,511.30	5,346.00	6,491.80	5,515.00
Beta Club	366.08	1,337.00	1,482.00	1,125.33	1,341.00
Foreign Language	20.36	496.00	1,050.00	250.00	150.00
Key Club	289.35	320.00	200.00	274.16	100.00
FCA	128.39	265.00	212.00	320.00	135.00
FCCLA	0.00	1,131.42	300.00	604.49	200.00
FMD	478.97	750.00	200.00	447.10	200.00
Band	1,064.58	9,375.00	6,782.00	9,702.54	7,003.00
Sunshine Fund	0.00	0.00	0.00	0.00	0.00
Athletics	18,458.90	336,096.07	0.00	334,478.97	0.00
Prom	0.00	5,906.38	0.00	4,498.37	0.00
Class of 2018	906.48	0.00	0.00	906.48	0.00
Guidance	7,712.03	6,063.00	6,000.00	5,769.52	4,570.00
WMCTV	446.17	246.00	130.00	110.61	466.00
Special Olympics	837.99	0.00	0.00	55.00	130.00
Library Activities	364.71	416.85	300.00	224.90	500.00
Arts and Humanities	141.00	0.00	0.00	141.00	141.00
AP History	52.50	5,029.00	2,800.00	5,059.62	2,800.00
Shakespeare & Peers	1,290.39	767.90	1,000.00	246.52	900.00
Rotary Interact	4.34	94.00	260.00	0.00	260.00
Beatnik Café	767.90	0.00	30.00	767.90	25.00
Publications	4,428.36	5,053.00	5,165.00	7,183.19	8,720.00
Sportsman Club	2,448.76	1,360.00	1,400.00	2,154.40	2,262.00
Subtotal	46,404.10	410,731.21	40,157.00	409,352.60	44,972.00
Less: Interfund Transfers	0.00	9,600.80	0.00	9,600.80	0.00
Total	\$ 46,404.10	\$ 401,130.41	\$ 40,157.00	\$ 399,751.80	\$ 44,972.00

See independent auditor's report and accompanying notes to financial statements

	<b>Cash Balance June 30, 2018</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Due to June 30, 2018</b>
General Fund	\$ 1,460.64	\$ 0.00	\$ 116.42	\$ 1,344.22
Build a Bed	32.67	0.00	0.00	32.67
Cardinals Closet	0.00	0.00	0.00	0.00
Student Council	628.54	0.00	0.00	628.54
Physics Class	1,380.70	0.00	0.00	1,380.70
Pep Club	157.00	0.00	0.00	157.00
JAG	1,196.00	0.00	0.00	1,196.00
Drama	60.89	153.60	0.00	214.49
Teacher Fund	673.89	0.00	0.00	673.89
Pure Cardinals	330.91	0.00	0.00	330.91
Cultural Diversity	1,267.69	136.00	0.00	1,403.69
Beta Club	577.75	0.00	0.00	577.75
Foreign Language	266.36	0.00	0.00	266.36
Key Club	335.19	0.00	0.00	335.19
FCA	73.39	0.00	0.00	73.39
FCCLA	526.93	0.00	0.00	526.93
FMD	781.87	0.00	0.00	781.87
Band	737.04	0.00	0.00	737.04
Sunshine Fund	0.00	0.00	0.00	0.00
Athletics	20,076.00	0.00	581.77	19,494.23
Prom	1,408.01	0.00	0.00	1,408.01
Class of 2017	0.00	0.00	0.00	0.00
Guidance	8,005.51	0.00	0.00	8,005.51
WMCTV	581.56	0.00	0.00	581.56
Special Olympics	782.99	0.00	0.00	782.99
Library Activities	556.66	0.00	50.00	506.66
Arts and Humanities	0.00	0.00	0.00	0.00
AP History	21.88	0.00	0.00	21.88
Shakespeare & Peers	1,811.77	0.00	0.00	1,811.77
Rotary Interact	98.34	0.00	0.00	98.34
Beatnik Café	0.00	0.00	0.00	0.00
Publications	2,298.17	0.00	0.00	2,298.17
Sportsman Club	1,654.36	0.00	0.00	1,654.36
Subtotal	47,782.71	289.60	748.19	47,324.12
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	\$ 47,782.71	\$ 289.60	\$ 748.19	\$ 47,324.12

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF NET POSITION-ALL PRIVATE PURPOSE TRUST FUNDS**  
June 30, 2018

	Don McNeilly	Scott Nall Golf	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female	James Steel Robbins Memorial
ASSETS:									
Cash and cash equivalents	\$ 16,436	\$ 2,354	\$ 0	\$ 1,513	\$ 6,449	\$ 203	\$ 3,043	\$ 5,046	\$ 2,079
TOTAL ASSETS	<u>\$ 16,436</u>	<u>\$ 2,354</u>	<u>\$ 0</u>	<u>\$ 1,513</u>	<u>\$ 6,449</u>	<u>\$ 203</u>	<u>\$ 3,043</u>	<u>\$ 5,046</u>	<u>\$ 2,079</u>
NET POSITION HELD IN TRUST	<u>\$ 16,436</u>	<u>\$ 2,354</u>	<u>\$ 0</u>	<u>\$ 1,513</u>	<u>\$ 6,449</u>	<u>\$ 203</u>	<u>\$ 3,043</u>	<u>\$ 5,046</u>	<u>\$ 2,079</u>

See independent auditor's report and accompanying notes to financial statements

<u>Roy &amp; Maxine Heath</u>	<u>McKenzie Stanley Memorial</u>	<u>Nathan Sholar</u>	<u>Shelton Family</u>	<u>Thaddeus Hart</u>	<u>Robert Barclay</u>	<u>Gardner Seay Golf</u>	<u>Olena Seay- Sloan</u>	<u>Higdon</u>	<u>Totals (Memorandum Only)</u>
<u>\$ 551</u>	<u>\$ 2,256</u>	<u>\$ 2,516</u>	<u>\$ 6,407</u>	<u>\$ 2,574</u>	<u>\$ 0</u>	<u>\$ 6</u>	<u>\$ 495</u>	<u>\$ 1,512</u>	<u>\$ 53,440</u>
<u><u>\$ 551</u></u>	<u><u>\$ 2,256</u></u>	<u><u>\$ 2,516</u></u>	<u><u>\$ 6,407</u></u>	<u><u>\$ 2,574</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6</u></u>	<u><u>\$ 495</u></u>	<u><u>\$ 1,512</u></u>	<u><u>\$ 53,440</u></u>
<u><u>\$ 551</u></u>	<u><u>\$ 2,256</u></u>	<u><u>\$ 2,516</u></u>	<u><u>\$ 6,407</u></u>	<u><u>\$ 2,574</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6</u></u>	<u><u>\$ 495</u></u>	<u><u>\$ 1,512</u></u>	<u><u>\$ 53,440</u></u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION HELD IN TRUST**  
**ALL PRIVATE PURPOSE TRUST FUNDS**  
For the Year Ended June 30, 2018

	Don McNeilly	Scott Nall Golf	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female
REVENUES:								
From local sources:								
Donations	\$ 0	\$ 660	\$ 0	\$ 500	\$ 0	\$ 0	\$ 0	\$ 0
Earnings on Investments	124	17	2	1	8	0	4	6
Total Revenues	124	677	2	501	8	0	4	6
EXPENDITURES								
Benefits paid	500	500	3,589	500	6,000	0	1,500	500
Service charges	0	0	0	0	0	0	0	0
Transfer to foundation	0	0	0	0	0	0	0	0
Total expenditures	500	500	3,589	500	6,000	0	1,500	500
Change in net position held in trust	(376)	177	(3,587)	1	(5,992)	0	(1,496)	(494)
Net Position Held in Trust July 1, 2017	16,812	2,177	3,587	1,512	12,441	203	4,539	5,540
Net Position Held in Trust June 30, 2018	<u>\$ 16,436</u>	<u>\$ 2,354</u>	<u>\$ 0</u>	<u>\$ 1,513</u>	<u>\$ 6,449</u>	<u>\$ 203</u>	<u>\$ 3,043</u>	<u>\$ 5,046</u>

See independent auditor's report and accompanying notes to financial statements

James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Stanley Memorial	Nathan Sholar	Shelton Family	Thaddeus Hart	Robert Barclay	Gardner Seay Golf	Olena Seay- Sloan	Higdon	Totals (Memorandum Only)
\$ 500 2	\$ 550 0	\$ 250 3	\$ 1,000 13	\$ 0 7	\$ 871 3	\$ 0 25	\$ 0 1	\$ 0 0	\$ 1,000 7	\$ 5,331 223
502	550	253	1,013	7	874	25	1	0	1,007	5,554
1,000 0 0	500 0 0	500 0 0	1,000 0 0	0 0 0	1,000 0 0	2,000 0 8,380	2,000 0 0	0 5 0	1,000 0 0	22,089 5 8,380
1,000	500	500	1,000	0	1,000	10,380	2,000	5	1,000	30,474
(498)	50	(247)	13	7	(126)	(10,355)	(1,999)	(5)	7	(24,920)
2,577	501	2,503	2,503	6,400	2,700	10,355	2,005	500	1,505	78,360
\$ 2,079	\$ 551	\$ 2,256	\$ 2,516	\$ 6,407	\$ 2,574	\$ 0	\$ 6	\$ 495	\$ 1,512	\$ 53,440

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
<b><u>U.S. Department of Education:</u></b>				
Passed Through Kentucky Department of Education:				
Special Education Grants to States	84.027	3810002-16 & 17	\$ 0	\$ 346,302
Special Education Preschool Grants	84.173	3800002-15 & 17	0	31,266
<b>Total Special Education Cluster</b>			0	377,568
Title I Grants to Local Educational Agencies	84.010	3100002-15, 16, & 17	0	930,296
English Language Acquisition State Grants	84.365	3300002-16 & 17	0	57,421
Supporting Effective Instruction State Grants	84.367	3230002-16	0	38,332
Rural Education	84.358	3140002-16 & 17	0	26,643
Migrant Education State Grant Program	84.011	3110002-16 & 17	0	91,848
Twenty-First Century Community Learning Centers	84.287	3400002-15 & 16	0	309,555
Career and Technical Education Basic Grants to States	84.048	3710002-15 & 17	0	16,289
<b>Total Passed through Kentucky Department of Education</b>			0	1,847,952
Passed Through Kentucky Career Center Office of Vocational Rehabilitation:				
Adult Education - Basic Grants to States	84.002	N/A	0	8,213
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>0</b>	<b>1,856,165</b>
<b><u>U.S. Department of Health &amp; Human Services:</u></b>				
Passed through Murray Board of Education:				
Head Start	93.600	04CH2692	0	201,057
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			<b>0</b>	<b>201,057</b>
<b><u>U.S. Department of Labor:</u></b>				
Passed through Job's for Kentucky's Graduates:				
WIOA Youth Activities	17.259	N/A	0	20,000
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>0</b>	<b>20,000</b>
<b><u>U.S. Department of Agriculture:</u></b>				
Passed Through Kentucky Department of Education:				
National School Lunch Program - cash	10.555	7750002-17 & 18	0	811,999
National School Lunch Program - donated foods (Note B)	10.555	N/A	0	72,418
School Breakfast Program	10.553	7760005-17 & 18	0	394,546
Summer Food Service Program for Children	10.559	7690024-17/18 & 7740023-17/18	0	42,131
<b>Total Child Nutrition Cluster</b>			0	1,321,094
Child and Adult Care Food Program	10.558	7790021-17/18 & 7800016-17/18	0	39,462
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>0</b>	<b>1,360,556</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 0</b>	<b>\$ 3,437,778</b>

See accompanying notes to schedule  
of expenditures of federal awards



## MAYFIELD INDEPENDENT SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2018

#### NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Mayfield Independent School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Mayfield Independent School District, it is not intended to and does not present the financial position or changes in financial position of the Mayfield Independent School District.

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.
- (2) The Mayfield Independent School District did not elect to use the 10% *de minimus* indirect cost rate as allowed under the Uniform Guidance.

#### NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2018 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

#### NOTE D – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$	2,185,869
Total federal grants from page 16		1,288,138
Donated commodities from page 16		72,418
Less: Medicaid reimbursements included in indirect federal on page 13		<u>(108,647)</u>
Total on page 70	\$	<u>3,437,778</u>

## **REPORTS REQUIRED BY THE SINGLE AUDIT ACT**

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# KIM HAM

## CERTIFIED PUBLIC ACCOUNTANT

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### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Mayfield Independent School District  
Mayfield, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements, and have issued my report thereon dated November 13, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Mayfield Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayfield Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Mayfield Independent School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Mayfield Independent School District in a separate letter dated November 13, 2018.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky  
November 13, 2018

75 Vine Street  
Benton, KY 42025

(270) 527-3628  
(270) 527-2261 fax

kimhamcpa@hotmail.com

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**KIM HAM**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**MEMBER,**  
American Institute  
of CPA's

♦  
**MEMBER,**  
Kentucky Society  
of CPA's

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Mayfield Independent School District  
Mayfield, Kentucky

**Report on Compliance for Each Major Federal Program**

I have audited the Mayfield Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Mayfield Independent School District's major federal programs for the year ended June 30, 2018. Mayfield Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Mayfield Independent School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*. Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayfield Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Mayfield Independent School District's compliance.

***Opinion on Each Major Federal Program***

In my opinion, Mayfield Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.


## Report on Internal Control Over Compliance

Management of the Mayfield Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Mayfield Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky  
November 13, 2018

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

**I. SUMMARY OF AUDITOR'S RESULTS:**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Mayfield Independent School District.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mayfield Independent School District were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Mayfield Independent School District expresses an unmodified opinion on the major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Mayfield Independent School District was determined to be a low-risk auditee.

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the current year required to be reported in this schedule.

**III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the current year required to be reported in this schedule.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2018**

**I. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the prior year required to be reported in this schedule.

**II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the prior year required to be reported in this schedule.



## **MANAGEMENT LETTER POINTS**

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**KIM HAM**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**MEMBER,**  
*American Institute  
of CPAs*

◆  
**MEMBER,**  
*Kentucky Society  
of CPAs*

Kentucky State Committee for School District Audits  
and Members of the Board of Education of  
Mayfield Independent School District  
Mayfield, Kentucky

I have audited the financial statements of the Mayfield Independent School District for the year ended June 30, 2018, and have issued my report thereon dated November 13, 2018. In planning and performing my audit of the financial statements of Mayfield Independent School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky  
November 13, 2018

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
June 30, 2018**

**UNCORRECTED PRIOR YEAR COMMENTS**

**School Activity Funds - Mayfield Middle School**

In our test of cash disbursements in the prior year, we noted two instances where there was no purchase order included in the file. In the current year, we again noted disbursements without purchase orders, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

In our review of fundraising events, we noted there were no fundraiser worksheets available for review for two events. In the current year, there were again two fundraisers with no worksheets.

**School Activity Funds – Mayfield High School**

When reviewing inventory control procedures in the prior year, we noted that concession stand inventory checklists were being used that listed the starting count and ending count of items that are sold; however, we were unable to match this information to an inventory control worksheet. While we did find some inventory control worksheets for the year, we were not always able to match up deposits and purchases in order to determine whether information was accurate and reasonable. In the current year, we were again unable to reconcile the amounts on the form that is being used.

**CORRECTED PRIOR YEAR COMMENTS**

**District Central Office**

**Fixed Assets:**

When reviewing the balance sheet that was submitted with the annual financial report in the prior year, we noted that there was no change in fixed assets during the year. We obtained the fixed asset notebooks which contained invoice copies and fixed asset input sheets with tag numbers showing a significant number of new assets that should have been added to the general ledger. At a later date, we did obtain a list of assets that were posted to MUNIS and we were able to match the tag numbers and dollar amounts with the supporting documentation from the notebooks. In the current year, fixed assets were entered and posted prior to the annual financial report and no significant differences were noted.

**Special Revenue Funds:**

When reviewing entries to record accounts receivable and unearned grant revenues for projects in the special revenue fund in the prior year, we noted some projects had spent more than the amount allocated and an accounts receivable had been recorded for the same amount for a couple of years. We also noted others that appeared to have funds remaining that had unearned grant revenues recorded for the same amount for two or more years. In the current year, we noted that efforts were made to properly close out projects.

**Adjusting Entries**

In the prior year, there were several entries to make at year end to convert the records from the cash basis to the accrual basis of accounting. While the entries for accounts payable were posted and the items to be recorded as accounts receivable were ready to enter, other entries were not made prior to the beginning of the audit. These included adjustments to food service inventory, recording of food service commodities received, adjustments for prepaid insurance, sick leave, and long-term debt, as well as on behalf entries. In the current year, most of these entries were made by the finance officer, making the number of entries needed during the audit to be less significant.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**  
June 30, 2018

**CORRECTED PRIOR YEAR COMMENTS (Continued)**

**School Activity Funds - Mayfield Elementary School**

**Cash Receipts Procedures:**

In our test of cash receipts in the prior year, we noted that receipt tickets often combine several types of items, including funds received to cover returned checks. Also, we noted three multiple receipt forms where the names of the students appeared to be written by the same person instead of having the students sign their own names. In the current year, we noted that funds received to cover returned checks were not combined with other receipts and multiple receipt forms appeared to be properly completed.

**Purchasing Procedures:**

In our test of cash disbursements in the prior year, we noted two purchase orders that were dated after the invoice date. In the current year, the purchase orders that were included in our tests were properly dated prior to purchase of goods or services.

**School Activity Funds - Mayfield Middle School**

**Cash Receipts Procedures:**

In our test of cash receipts in the prior year, we noted concession stand sheets that listed the items sold, the number sold, and the dollar amounts extended and totaled were present, but they were not signed by the person remitting the money. There were also no inventory control worksheets available for examination. In addition, we noted one receipt for donations that were solicited from the public outside a retail establishment. The activity sponsors did not sign anything. The supporting documentation included a multiple receipt form that was signed by the secretary and principal, along with an approved fundraiser form. We also noted two multiple receipt forms where the lines for student names were all written by the same person, instead of having each student sign the form. These two receipts were both for sales of shirts. In the current year, inventory control worksheets were used and forms were properly signed.

**Purchasing Procedures:**

In our test of cash disbursements in the prior year, we noted two instances where the purchase order did not have estimated amounts listed. There was no date on the purchase order for another disbursement. The purchase order was dated after the invoice date for four checks. There were eleven checks to individuals that were supported by reimbursement forms that were not signed by the individual. We also noted two disbursements to a pizza restaurant where the total on the receipt did not match the check, because apparently there was a tip included. In the current year, the purchase orders in our test all had estimated amounts listed and were properly dated. Reimbursement forms were properly signed.

**School Activity Funds – Mayfield High School**

In our test of cash disbursements in the prior year, we noted four purchase orders that were dated after the invoice date. We also noted two checks that were written to the athletic director, who then cashed the checks and paid workers out of the amount. For the items tested in the current year, purchase orders were properly dated and while there were three checks written to the athletic director for workers, it was done early in the fiscal year before the prior year comments were reviewed and procedures were changed.

In our prior year review of detail supporting credit card charges, we noted travel to the golf state tournament for which the date on the pre-approval line was after the charges were made. Of the travel vouchers tested in the current year, the travel voucher was approved in advance.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**  
June 30, 2018

**CURRENT YEAR COMMENTS**

**School Activity Funds - Mayfield Elementary School**

**Purchasing Procedures:**

In our test of cash disbursements, we noted eleven reimbursements to employees where purchase orders were not used. Purchasing policy #5 on page 12 of the Redbook states that the district should "always use a purchase order to initiate a purchase, including for independent contractors and reimbursements to district employees".

**Management's Response:**

The principal will meet with the staff and reiterate that there must be a purchase order completed to initiate any purchases, including reimbursements. The secretary and the principal will ensure that purchase orders are completed on all purchases.

**School Activity Funds - Mayfield Middle School**

**Purchasing Procedures:**

In our test of 90 cash disbursements, no purchase order was included in the file for 21 disbursements. These all appeared to be for game officials. While we understand that the school must use officials that are assigned to their games by the KHSAA, purchasing guideline #5 on page 12 of the Redbook says "always use a purchase order to initiate a purchase, including for independent contractors". Game officials are considered to be independent contractors. At a minimum, one purchase order should be prepared for each game with the document from KHSAA that lists the officials for that game attached. The sponsor and principal should then sign the purchase order to indicate approval.

**Management's Response:**

We were unaware that purchase orders were required for game officials. Immediate action was taken to correct this and has been communicated to the athletic director as well.

**Fundraising Procedures:**

In our review of fundraising events, we noted the payment for the 8<sup>th</sup> grade class pizza fundraiser was only supported by an email from a teacher saying that she needed a check for the amount of the payment. There was no invoice from the vendor. Fundraising guideline #9 on page 7 of the Redbook says "fundraisers where items are sold, whether they are purchased or donated or both, require the use of the fundraiser worksheet (form F-SA-2B), which is used to recap the profitability of a fundraiser sales cycle".

**Management's Response:**

The invoice for the 8<sup>th</sup> grade class pizza fundraiser was located and the importance of vendor invoices has been communicated to staff to prevent this from happening again.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2018

**CURRENT YEAR COMMENTS (Continued)**

**School Activity Funds - Mayfield Middle School (Continued)**

**Cash Receipts Procedures:**

In our test of cash receipts, we noted that documentation included with a deposit on August 22, 2017 indicated that the funds had actually been received in April, 2017. A note had been made that the teacher had put the money in the wrong place and it did not get taken to the school treasurer as it should have been. Also, one deposit for \$535 on April 24, 2018 was supported by documentation showing that \$710 had actually been collected, but that \$175 had been stolen from the teacher's room. We also noted in our examination of funds received after year end that checks from individuals to the school were dated in April and May and were not deposited until August 7, 2018. The reason for these circumstances might include either the teacher not turning in the funds to the school treasurer on a daily basis (as required by Redbook receipts procedure #1) or not keeping funds in a secure location until giving the money to the school treasurer. Care should be taken to maintain all funds in a locked location and deliver funds to the school treasurer by the end of each day.

**Management's Response:**

The principal has reemphasized on opening day that funds must be turned in daily to the front office. Upon discovery of stolen funds, videos were watched and students and substitutes were questioned. The teacher understood and took responsibility for the missing funds. In regard to the late deposit for band monies, communication has been made to let the finance secretary know when there is a deposit that needs to be made. Immediate action was taken upon discovery of the deposit and all check writers were notified to make sure it would not be a problem.

**Inventory Control Procedures:**

In our test of an inventory control worksheet (Form F-SA-5), we noted that it was not correctly completed. The beginning inventory count in section 1 appeared to be the deliveries for the period. The items in this section were extended at the sales price of \$2.00 for a total of \$2,640.00. In section 2, the same counts of items were listed, but the sales price was not used to extend the amount. That section appeared to list the purchase price of the deliveries for a total of \$1,127.50. Subtotal A (which should be section 1 total plus section 2 total) was shown as \$1,512.50, which was the section 1 total minus the section 2 total. It appears the form was being used to calculate the profit instead of tracking inventory. The sheet appeared to properly list collections at \$1,950 and an ending inventory count extended at the sales price for \$716.00. Subtotal B (which should be section 3 plus section 4) was shown as \$1,234.00, which was actually the total of section 3 minus the total of section 4. Subtotals A and B were not compared for reasonableness. Fundraising guideline 11 on page 7 of the Redbook states in part "the inventory control worksheet recaps the flow of inventory monthly and identifies overages or shortages; it is not designed to measure profits". The person responsible for completing the worksheet should be trained in the proper use of the form.

**Management's Response:**

We have contacted the district office for help and assistance to provide training for inventory control to assure all workers are completing forms correctly. Upon receiving training, we will be able to communicate all the necessary information.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2018

**CURRENT YEAR COMMENTS (Continued)**

**School Activity Funds – Mayfield High School**

**Purchasing Procedures:**

In our test of cash disbursements, we noted five disbursements to individuals that were supported by either an email from the activity sponsor asking for payment to the individuals and an explanation of what it was for or names written on an athletic schedule with amounts to be paid. These disbursements did have a properly completed purchase order; however, when other documentation is used in place of a standard invoice (form F-SA-8), the paperwork provided should contain the same information as the actual form, which includes signatures of the vendor, sponsor, and principal.

**Management's Response:**

We had documentation for the individuals that received payment; however we will now use the standard invoice form (F-SA-8) in the future. The individual will sign the form as well as the principal before payment is received. The principal has met with the bookkeeper about this on November 6, 2018. The principal will explain this procedure in the next faculty meeting at Mayfield High School in December.

**Fundraiser Worksheets:**

Although fundraiser worksheets are being used, they are not being completed correctly. One for a candy bar fundraiser listed only the receipts collected and the amount paid for the candy bars, with a note as to how many were not sold. Based on the invoice, we made note that there were 6900 bars received to sell. Receipts listed on the form were totaled to \$3,522. Since they were sold for \$1 each, that should have left 3378 bars. The note at the bottom indicated there were 27 boxes with 60 per box that were not sold. That accounts for 1620 bars; therefore, there are 1758 bars unaccounted for. That would indicate a shortage of \$1,758. Another fundraiser was for items through Great American. The worksheet was not complete as each item sold was a different price. Typically we have access to a vendor invoice that shows the total to be collected, but that invoice was not available. Because of that, we could not determine the reasonableness of the amount collected. Two other fundraisers were for items through Fan Cloth. Again, the worksheet was incomplete because of the items selling for different prices. For fundraisers such as this, a copy of the order forms should be retained to show how much should be collected to compare to how much was actually received and deposited. For fundraisers with candy bars or similar items that all sell for one price, the worksheet should be completed in full.

**Management's Response:**

The principal and the bookkeeper will meet with the athletic coaches (soccer, volleyball, baseball, softball) and go over the fundraiser form, worksheet, etc. We will explain that no money from the fundraiser will be spent until the worksheet is filled out in the correct manner. The principal will also train the staff on the proper procedure for fundraisers with the staff at the December faculty meeting. Club sponsors and coaches will be told that we must have an official attachment of the prices of each item that they are selling for a fundraiser. Example, if someone sells Fan Cloth and there are multiple items for different prices, we will attach that sheet to the fundraiser form.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2018

**CURRENT YEAR COMMENTS (Continued)**

**Inventory Control:**

We noted that concession stand inventory checklists are being used; however, the one tested was not completed correctly and does not contain all of the information that is required on form F-SA-5. The sheet has columns for the item description, the cost, the amount charged, profit, starting number of items, number sold, the number spoiled or given away, the number remaining, and the physical count of items remaining. The sheet did not include a section for number of items delivered. There was nothing listed in the profit column, which could have been used for actual collections, as on form F-SA-5. There was no inventory listed in the starting number column. It appeared that the physical count column was used either for the starting inventory or for deliveries, as the amount in the sold column plus the amount remaining most often was equal to the number in the physical count column. No comparison of beginning inventory plus deliveries to collections plus ending inventory could be done based on the information on this sheet. More training on the completion of the worksheets should be done so that workers better understand what is required and why the form is necessary for better controls.

**Management's Response:**

The principal and the bookkeeper will meet with the coaches that run a concession stand for their sport (soccer, volleyball, softball, baseball). We will come up with a uniform form that helps track the inventory that goes in and out of the concession stand. We will use the appropriate form (F-SA-5) and go over how to fill this form out in the appropriate manner.